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THE Fats and Oils SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

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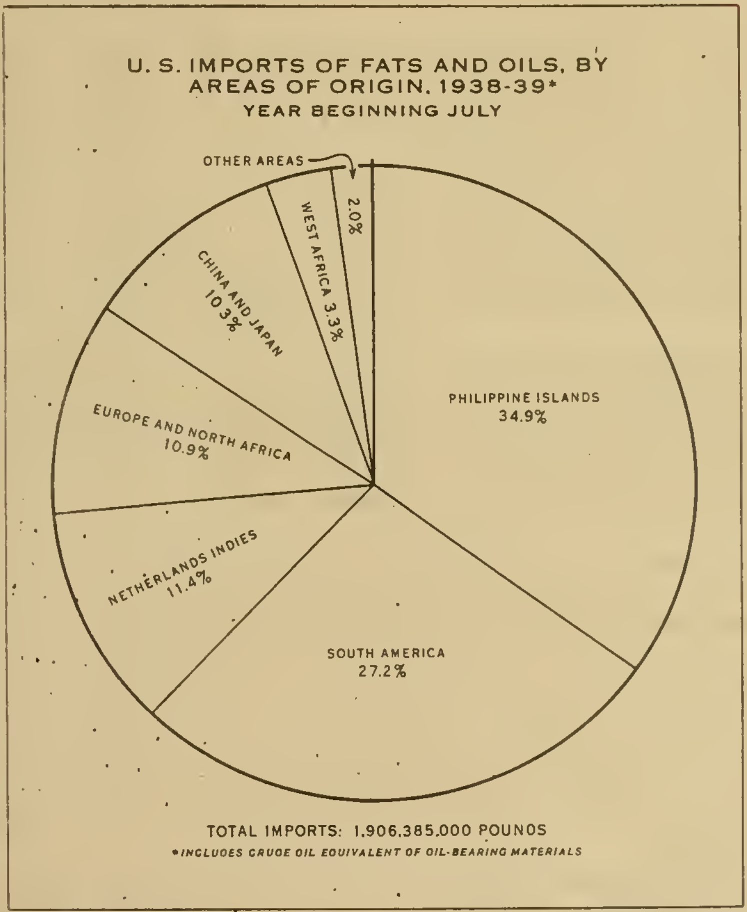


U. S. IMPORTS OF FATS AND OILS, BY AREAS OF ORIGIN, 1938-39*
YEAR BEGINNING JULY

TOTAL IMPORTS: 1,906,385,000 POUNDS
*INCLUDES CRUDE OIL EQUIVALENT OF OIL-BEARING MATERIALS

U S DEPARTMENT OF AGRICULTURE NEG 38376 BUREAU OF AGRICULTURAL ECONOMICS

WAR IN EUROPE SINCE APRIL 1 HAS RESULTED IN THE LOSS OF IMPORTANT MARKETS FOR LARD, SOYBEANS, AND OIL-SEED CAKE, AND IN REDUCED IMPORTS OF CERTAIN EDIBLE OILS, AND FISH-LIVER OILS. EXTENSION OF THE WAR TO SOUTHERN EUROPE AND NORTH AFRICA WILL LIMIT OUR SUPPLIES OF OLIVE OIL. BUT DOMESTIC OILS CAN READILY BE USED AS SUBSTITUTES. TOTAL IMPORTS IN 1938-39 WERE LARGER THAN THOSE REQUIRED AT THE PRESENT TIME.

Table 1.- Price per pound of specified fats and oils, and oil-bearing materials May 1938 and 1939, and March-May 1940

Item	May		1940		
	1938	1939	Mar.	Apr.	May
Fats and oils:	Cents	Cents	Cents	Cents	Cents
Butter, 92-score, Chicago	26.6	22.8	28.0	27.1	26.4
Oleomargarine, dom. veg., Chicago	14.8	14.5	15.0	15.0	15.0
Lard, prime steam, Chicago	8.1	6.5	5.8	6.1	5.6
Lard, refined, tubs, Chicago	9.2	7.5	6.5	6.4	6.4
Compounds (animal and veg. cooking fats), Chicago	10.2	9.2	9.6	9.4	9.5
Oleo oil, extra, tierces, Chicago	8.1	7.5	7.1	7.0	7.0
Oleostearine, bbls., N. Y.	6.0	5.9	6.3	6.1	6.0
Corn oil, crude, tanks, f.o.b. mills	7.1	5.9	6.1	6.2	5.9
Corn oil, refined, bbls., N. Y.	9.6	8.9	8.8	8.8	8.8
Cottonseed oil, crude, tanks, f.o.b. S.E. mills	7.0	5.6	5.9	5.9	5.7
Cottonseed oil, p.s.y., tank cars, N.Y.	8.1	6.6	6.7	6.8	6.4
Peanut oil, crude, tanks, f.o.b. mills	6.8	5.6	6.6	6.2	5.9
Peanut oil, dom. refined, bbls., N. Y.	10.1	8.9	9.6	9.3	9.2
Soybean oil, crude, tank cars, midwestern mills	5.7	4.9	5.7	5.5	5.3
Soybean oil, refined, drums, N. Y.	8.6	7.5	8.4	8.2	8.0
Babassu oil, tanks, N. Y.	6.4	6.3	6.2	6.2	6.1
Coconut oil, crude, tanks, f.o.b. Pacific Coast 2/	6.1	6.0	5.8	5.9	5.8
Coconut oil, edible, tanks, N. Y.	8.4	7.4	7.4	7.2	7.0
Olive oil, edible, bbls. (drums), N. Y.	25.6	25.1	26.0	25.3	25.9
Olive-oil foots, prime, drums, N. Y.	8.3	7.1	8.3	8.2	8.5
Palm oil, crude, casks, (drums) N. Y. 2/	6.5	6.8	7.6	7.5	7.5
Rape oil, refined, bbls., N. Y. 3/	11.2	10.8	13.7	13.7	14.6
Sesame oil, refined, drums, N. Y.	10.2	9.2	14.7	16.0	16.0
Teaseed oil, crude, drums, N. Y.	7.1	9.5	12.0	12.4	12.5
Tallow, inedible, Chicago	4.4	5.0	4.6	4.5	4.2
Grease, A white, Chicago	4.9	5.2	4.6	4.6	4.2
Menhaden oil, crude, tanks, f.o.b. Baltimore	4.7	4.3	4.6	4.4	4.6
Sardine oil, crude, tanks, Pacific Coast	4.9	4.3	5.0	5.1	5.6
Whale oil, refined, bleached winter, drums, N.Y.	9.9	8.2	3/ 9.5	3/ 9.5	9.5
Linseed oil, raw, tank cars, Minneapolis	8.9	8.7	10.3	10.3	10.0
Linseed oil, raw, carlots, bbls., (drums) N. Y.	9.3	9.0	10.7	10.9	10.6
Perilla oil, drums, N. Y. 3/	10.3	9.7	21.0	19.9	18.5
Oiticica oil, drums, N. Y.	10.1	11.8	19.8	18.8	17.5
Tung oil, drums, N. Y.	11.4	17.8	27.4	25.4	24.8
Castor oil, dehydrated, drums, carlots, N. Y.	---	---	18.1	18.1	17.0
Castor oil, No. 3, bbls., N. Y.	9.2	8.2	12.8	12.8	12.8
Cod-liver oil, med. U.S.P. bbls., N.Y. (dol. per bbl.)	26.5	20.8	33.5	48.4	60.0
Cod oil, Newfoundland, bbls., N. Y.	6.7	4.3	9.0	---	---
Oil-bearing materials:					
Copra, bags, f.o.b. Pacific Coast	1.9	1.9	1.7	1.7	1.6
Cottonseed, Dallas (dol. per ton)	22.0	23.0	28.2	26.5	25.6
Flaxseed, No. 1, Minneapolis (per bu.)	186.0	183.0	208.0	211.0	197.0
Peanuts, shelled, Runners No. 1, f.o.b. S. E. mills	4.8	4.9	5.2	5.2	5.2
Soybeans, No. 2 Yellow, Chicago (per bu.)	91.0	96.0	114.0	109.0	100.0

Compiled from Oil, Paint and Drug Reporter, The National Provisioner, Chicago Daily Trade Bulletin, Minneapolis Daily Market Record, and reports of the Agricultural M Marketing Service and Bureau of Labor Statistics. Prices quoted include excise taxes and duties where applicable. 1/ Preliminary. 2/ 3-cent processing tax added to price as originally quoted. 3/ Revised.

THE FATS AND OILS SITUATION

Summary

Prices of most domestic fats and oils, oilseed meal, and oilseeds declined in May, reflecting the loss of foreign markets resulting from the German occupation of Denmark, Norway, Netherlands, and Belgium. About 10-15 percent of our total foreign outlets for lard, and more than half of the export markets for soybeans and oilseed cake and meal have been adversely affected by the German and the more recent Italian moves.

United States imports of certain vegetable oils from the Netherlands, on the other hand, have been cut off, as well as fish-liver oils from countries bordering the North Sea. With the extension of war to southern Europe and North Africa, our imports of olive oil, which represent about 5 percent of the total imports of fats, oils, and oil-bearing materials, may virtually cease. The reduction in imports of edible fats from Europe probably will equal or exceed the losses in exports of lard, soybeans, and other fats.

Immediate prospects for expanding United States exports of lard and soybeans to the United Kingdom are not promising. The United Kingdom is reported as having large stocks of vegetable oils and whale oil on hand, and Norwegian whale oil produced in the Antartic during the past season is being stored in the Western Hemisphere for future British needs. If the war is prolonged, however, it is possible that British requirements for American fats would become more pronounced, particularly if the oilseed crushing activity on the east coast of England is reduced by war activities and if the Mediterranean route remains closed to British shipping.

Although supplies of fish-liver oils in the United States will be reduced, and olive oil imports will be virtually cut off, no serious shortage in the total fat supply can develop as a result of war which is confined to Europe, North Africa, and the Near East. About 90 percent of our total imports of fats, oils, and oil-bearing materials normally originate in the Far East, South America, and West Africa. Domestic production of fats and oils, moreover, has now expanded to the point where it is equivalent to about 90 percent of total domestic requirements. At the present time, a surplus exists in some lines of edible fats and a deficit in certain industrial oils, notably in the case of the quick-lathering oils for soap, and the drying oils.

REVIEW OF RECENT DEVELOPMENTS

Prices of domestic fats and oils decline in May, items imported from Europe advance

Prices of most domestic fats and oils declined 2-10 percent in May, largely under the influence of unfavorable news from Europe. Prices of babassu, coconut, and imported drying oils also declined. Exceptions to the general downturn were increases in prices of menhaden and sardine oils, and of imported olive oil, rape oil, and cod-liver oil. Except for rape oil, the last named items are obtained mostly from Europe.

Prices of lard, tallow, and greases in May were 14-19 percent under those of a year earlier, while prices of babassu and coconut oils were 3-5 percent lower. Prices of most other fats and oils were equal to or higher than those in May 1939, with the greatest gains being recorded for cod-liver oil, imported drying oils, sesame oil, and rape oil.

The price of prime steam lard at Chicago averaged 5.65 cents per pound in May compared with 6.12 cents in April and 6.53 cents in May 1939, and was the second lowest since early 1934. The lowest level since 1934, 5.57 cents, was recorded in August last year.

Lard stocks continue at record levels - 67 million pounds purchased for relief distribution

Storage holdings of lard on June 1, totaling about 284 million pounds were larger than a month earlier, and were about 155 million pounds larger than the 5-year (1935-39) average holdings for June 1. Storage holdings of lard have been consistently above average since December last year, chiefly because exports have failed to keep pace with the marked increase in production that has taken place this year. Domestic consumption of lard has increased in recent months, but not sufficiently to take up all the slack in the exportable surplus.

As a means of increasing consumption in this country, the Federal Surplus Commodities Corporation, beginning last December, has purchased 67 million pounds of lard for distribution to eligible low-income families. Nearly half of this quantity, or 32 million pounds, was purchased in May. In addition, 20 million pounds of salt pork, bellies, and fat backs were purchased for relief distribution during the past 6 months.

Table 2.- Quantity of lard and other hog fats purchased for relief distribution, December 1939-May 1940

Year and month	Lard	Salt pork, bellies, and fat backs
	Pounds	Pounds
1939-		
Dec.	50,000	581,000
1940-		
Jan.	4,891,800	---
Feb.	5,173,000	1,861,000
Mar.	9,953,860	1,410,000
Apr.	14,671,960	1,180,000
May	32,222,560	15,205,000
Total	66,963,180	20,237,000

Data furnished by Federal Surplus Commodities Corporation. Figures relate to month of purchase - do not necessarily indicate month of shipment.

Prices of oilseed meal decline with loss of foreign markets

From January to August 1939, prices of cottonseed, soybean, and peanut meals declined, but during the following 4 months prices advanced sharply. Since December, the price of cottonseed meal at Memphis has fluctuated within a comparatively narrow range at a level approximately one-third higher than a year earlier. But prices of peanut and soybean meals have again declined. Nevertheless, the price of peanut meal in May (reflecting the small volume of peanut crushings this season) was nearly 40 percent higher than a year earlier, while the price of soybean meal was about 9 percent higher.

As a result of a series of small domestic crops of flaxseed in recent years, the quantity of linseed meal available at mid-western markets was comparatively small in early 1939. Prices were high, but they declined moderately in the late winter and spring, and, with a marked increase in the flaxseed crop, prices declined sharply last summer. After advancing from September through December, linseed meal prices again declined, and in May this year they were about 20 percent lower than a year earlier.

Part of the decline in prices of oilseed meals since last December (which occurred despite rising prices for other feeds) apparently has been due to events in Europe. The invasion of Denmark and Norway in April, and of the Netherlands and Belgium in May cut off important export markets for such feeds. The loss was most severe in the case of linseed meal produced in eastern mills from imported flaxseed. Ordinarily, the major part of the meal so produced is exported to Europe with benefit of tariff drawback. It is possible that increased quantities of such meal may be shipped to the United Kingdom, where feed supplies are reported to be short; otherwise prices of linseed meal may be depressed for some time to come. This would be a factor tending to restrict imports of seed and to raise the price of linseed oil if it were not for the fact that the price of flaxseed in Argentina also will be lowered by the loss of European outlets.

Table 3.- Price per ton of cottonseed, peanut, soybean and linseed meals, specified markets, January 1939-May 1940

Year and month	Cottonseed meal, 41 percent protein, bagged, carlots, Memphis	Peanut meal, 45 percent protein, f.o.b. S.E. mills	Soybean meal, 41 percent protein, bagged, Chicago	Linseed meal, 37 percent protein, bagged, Minneapolis	Linseed meal, 34 percent protein bagged New York
	Dollars	Dollars	Dollars	Dollars	Dollars
1939-					
Jan.	22.60	21.50	26.30	40.50	1/ 42.10
Feb.	21.50	20.69	24.70	38.75	1/ 41.30
Mar.	22.20	20.50	24.45	38.50	1/ 40.00
Apr.	23.20	20.75	24.70	38.00	1/ 40.20
May	23.65	21.15	26.30	37.80	1/ 39.15
June	23.05	21.00	25.95	37.40	1/ 39.00
July	21.55	21.00	24.70	33.10	38.75
Aug.	21.15	21.05	25.70	28.20	38.20
Sept.	26.05	29.06	33.70	34.50	---
Oct.	25.25	30.25	28.30	33.10	37.00
Nov.	28.25	34.56	32.70	33.40	34.10
Dec.	29.50	34.00	34.95	35.50	36.40
1940-					
Jan.	30.10	33.62	33.90	34.70	38.00
Feb.	29.80	33.17	29.95	31.25	38.00
Mar.	30.25	32.69	30.45	30.40	35.50
Apr.	30.80	30.85	29.65	30.70	34.00
May	29.40	29.44	28.65	30.25	31.60

Agricultural Marketing Service.
1/ 30-32 percent protein.

Prices of soybeans, flaxseed, cottonseed decline - peanuts steady

Reflecting weakness in prices for domestic oils and meal, and the loss of European markets for Argentine flaxseed as well as domestic soybeans, prices of soybeans, flaxseed, and cottonseed declined 3-8 percent in May. No. 2 Yellow soybeans at Chicago, averaging $1.00 per bushel in May were 9 cents lower than in April and 16 cents lower than in January, the high month for the current season. No. 1 flaxseed at Minneapolis, at $1.97 per bushel, was 14 cents under April and 21 cents under January. The average price of cottonseed at Dallas in May, at $25.60 per ton, was nearly $1.00 under April and more than $4.00 under January. Despite these declines, prices of the oilseeds enumerated were 4-11 percent higher in May this year than last, reflecting generally stronger domestic demand conditions.

In contrast to declining prices for other oilseeds, peanut prices were comparatively stable during the first 4 months of 1940. The average price of No. 1 Runners (shelled) at southeastern shipping points was 5.2 cents per pound in May compared with 4.9 cents in May 1939. The demand for peanuts for "edible" uses has been relatively strong this season. Peanut production in 1939, totaling 1,180 million pounds was the smallest in 5 years. The quantity of farmers' stock peanuts crushed during the current season has been comparatively small, totaling only 46 million pounds through April compared with 184 million pounds in the corresponding period of the 1938-39 season. On the other hand, nearly 614 million pounds of peanuts were cleaned and shelled through April compared with 572 million pounds last season.

Although the quantity of peanuts cleaned and shelled has been larger thus far this season than last, the indicated disappearance of such peanuts has been about the same. As a result, mill stocks of cleaned and shelled peanuts (on an unshelled equivalent basis) were about 30 million pounds larger on April 30 this year than last. Farmers' stock peanuts available at mills and in warehouses for both shelling and crushing on April 30, totaling 271 million pounds, were about 15 million pounds larger than the 256 million pounds on hand on April 30, 1939. Unless the rate of consumption of shelled peanuts, or of crushings of farmers' stock peanuts, is increased, the carry-over of peanuts probably will be somewhat larger at the end of the 1939-40 season than a year earlier.

SOME EFFECTS OF THE WARON THE FATS AND OILS SITUATION

Extension of war causes loss of export markets

The extension of the war area in April, May and early June has resulted in the loss, for the present at any rate, of foreign markets which during the first 6 months of war took about 14 percent of our domestic lard exports, more than half of the soybean exports, and 35 percent of the exports of cottonseed oil. Export markets for oleo oil, oleo stock, inedible tallow, greases, and certain other fats and oils also have been reduced. In addition, foreign markets for about 75 percent of our exports of linseed cake and meal, and over 50 percent of our exports of cottonseed cake and meal have been lost. These latter losses, however, may be regained in part by increased exports of oil cake to the United Kingdom, where feed supplies are reported to be short.

So long as the war continues, imports of oil-bearing materials for processing in Denmark, Norway, and the Low Countries probably will be stopped, This will have the effect, already felt as a result of the blockade of Germany, of "backing up" supplies of such materials in primary-producing countries, and of adding to the free world supply available to the United States.

Part of the loss resulting from the virtual closing of many European markets may be regained by increasing our exports to countries formerly supplied by the Netherlands. Exports of fats and oils from the Netherlands, which ordinarily imports large quantities of oil-bearing materials for processing, have represented about 15 percent of the total world exports of fats in recent years. Nearly half of these exports have gone to countries now virtually isolated by the Allied blockade. But about one-third has gone to the United Kingdom, approximately 10 percent to France, and the remaining 10 percent to other countries, chiefly Switzerland, the Netherlands East Indies, and the United States. Increases in exports of fats from the United States to France and neutral countries formerly supplied in part by the Netherlands, however, are not likely to be great enough to offset the loss of northern European markets. The extent to which our losses in export markets may be repaired by increased exports to other markets in the next few months will depend largely on the turn of events in the United Kingdom.

Expansion of exports to the United Kingdom dependent on war developments

The United Kingdom is reported to have large stocks of vegetable oils and whale oil on hand. The extent of these supplies may be roughly gauged from unofficial reports that part of the Norwegian production of oil from whales caught in Antarctic waters during the past season, most of which has been sold to the United Kingdom, is being stored at points along the eastern coast of North and South America for future needs.

In 1937, imports of oil-bearing materials into the United Kingdom amounted to about 1 billion pounds in terms of oil. In addition, net imports of vegetable oils and whale oil totaled more than 600 million pounds. Over 1 billion pounds of butter were imported, about 160 million pounds of lard, and nearly 100 million pounds of other animal fats. Altogether, net imports of fats in 1937 amounted to about 3 billion pounds, of which roughly one-third was in the form of oil-bearing materials, one-third butter, and one-third animal and vegetable fats and oils. The major part of these imports was obtained from Empire countries, with the remainder coming mostly from Denmark, the Netherlands, South America, Norway, and Egypt.

In view of the present large reserves of fats in the United Kingdom, and the availability of supplies from Empire and other sources which in effect, are attached to sterling exchange, it does not seem likely that imports of lard and other fats from this country will be increased in the near future. Under certain conditions, however, it is possible that a marked increase in the demand for American fats might develop in the United Kingdom.

If Germany is successful in maintaining a close blockade of the eastern coast of England and disrupting internal communications, the crushing activities of British oil mills, many of which are located in and about Hull, would be severely limited. The Mediterranean route for Empire supplies, moreover, has been closed to British shipping since late April. So long as this route remains closed, the importation of normal supplies of butter, vegetable oils, and oil-bearing materials from Egypt, India, the East Indies, Australia, and New Zealand can be effected only by round-about routes, thus imposing greater demands on British shipping. Reduced oilseed crushing activity of British mills and shipping difficulties involved in importing materials from distant Empire sources, together with the cessation of butter and vegetable oil shipments from Denmark and the Netherlands, might result in increased shipments of fats from the Western Hemisphere to the United Kingdom as reserves in that country were depleted. Hence, under a condition of prolonged warfare it is possible that the British demand for edible fats from the United States may eventually be increased. However, British requirements for armaments and other materials in this country probably would limit the amount of foreign exchange that could be made available for fats.

The situation in the event the Allies are defeated undoubtedly would be somewhat different. A victorious Germany would be short of foreign exchange and probably would mobilize the resources of western Europe in an attempt to bring in needed supplies of foodstuffs and raw materials from colonial areas, as well as from countries willing to exchange goods on a barter basis. Thus, aside from the possibility of some relief shipments of foodstuffs from this country, the European demand for American lard and other edible fats might be permanently reduced.

Imports also affected

Prior to the outbreak of war in Europe, the general trend in imports of fats and oils into the United States was downward. This was due largely to the increasing production of lard, tallow, greases, soybeans, and flaxseed in this country. The coming of war in Europe served to accentuate the downward trend in imports by bringing about higher costs for ocean shipments of imported materials. War in China also tended to curtail shipments of certain vegetable oils, notably tung, teaseed, and peanut. During the 6 months, October 1939--March 1940, imports of fats, oils, and oil-bearing materials in terms of crude oil were about 10 percent smaller than in the corresponding period a year earlier. (table 5.)

The rapid extension of the European War during the past 2½ months has injected a new element into our import situation. Normally, about 10 percent of our imports of fats and oils are obtained from Europe and North Africa. The invasion of Denmark and Norway in April cut off our most important source of supply of fish-liver oils. About two-thirds of the fish-liver oils consumed in this country in recent years has come from Norway, Germany, the United Kingdom, and Denmark, countries which probably will be unable to export such oils so long as the war continues. Iceland, Japan, Newfoundland, and Canada remain as possible sources of supply, but in view of Allied requirements it is doubtful if much of the Newfoundland and Canadian supply will find its way to this country.

The United States normally exports oilseeds and oil cake to the Netherlands, Belgium and Denmark, while vegetable oils ordinarily are imported from those countries. Imports of fats and oils from those countries in 1938-39, however, amounted to less than 2 percent of the total imports from all countries, and consisted largely of items such as corn oil, sesame oil, peanut oil, palm-kernel oil, palm oil, and rape oil which can readily be replaced by domestic fats and oils or by oilseeds and oils imported from other countries.

Of greater importance will be the virtual cessation of imports of olive oil from the Mediterranean Basin. Almost all of our domestic supply of olive oil in recent years has been imported from this region, chiefly from Italy, Greece, Tunisia, Portugal, Spain, and Southern France. The extension of hostilities to the Mediterranean will cut off most of this supply. Imports of olive oil in 1938-39 represented about 5 percent of our total imports of fats, oils, and oil-bearing materials. Two-thirds of such imports consisted of edible grades, with the remainder being imported mostly for use in soap. But except for the matter of taste, olive oil can also be replaced by domestic fats and oils or by oilseeds and oils imported from other countries.

No serious shortage of fats and oils in this country can develop from hostilities confined to Europe, North Africa, and the Near East. Imports from this area in 1938-39 amounted to slightly more than 200 million pounds. Offsetting this, the United States has at present an estimated annual surplus of 600 million pounds of lard available for domestic use or for export, as well as fairly large exportable surpluses of soybeans and soybean oil.

Pacific and South Atlantic most important routes for imported fats

In 1938-39 approximately 85 percent of United States imports of fats, oils, and oil-bearing materials originated in the Far East and South America. The Philippine Islands alone accounted for 35 percent of our imports. Imports from the Philippines consisted almost entirely of coconut oil and copra. Other Far Eastern countries, mainly the Netherlands Indies, China, and Japan supplied 22 percent of our imports, including most of the palm oil, tung oil, perilla oil, teaseed oil, peanut oil, and rape oil. Imports of flaxseed from Argentina and Uruguay in 1938-39 represented 18 percent of the total imports for all fats, while imports from Brazil supplied 9 percent of the total, chiefly in the form of castor beans, babassu nuts, and cottonseed and oiticica oils. Imports from West Africa, consisting entirely of palm oil and palm kernels, accounted for about 3 percent of the total.

Production of fats and oils from domestic materials in the calendar year 1939 was equivalent to about 86 percent of domestic consumption. With increased output of lard, soybean oil, and linseed oil, domestic production in 1940 may be equivalent to about 90 percent of our total consumptive requirements. Certain types of oils, however, are not produced in sufficient quantity in this country, with the result that fairly large quantities of such oils as coconut, babassu, and palm-kernel, useful chiefly for the quick-lathering properties they impart to soap, and such quick-drying and other special purpose oils as linseed, tung, perilla, oiticica and castor need to be imported. On the other hand, an exportable surplus exists for certain edible fats and oils, notably lard and soybean oil.

War to bring certain adjustments in United States consumption

Although the rapid extension of war during the past 2-1/2 months undoubtedly will result in a decrease in exports of soybeans, soybean oil, lard, and certain other edible fats and oils, imports of olive, corn, sesame, peanut, palm-kernel, palm, and rape oils from Europe will be reduced in at least equal volume. Imports of certain nonedible fats, such as cod-liver oil, moreover, will be sharply reduced.

The loss in imports, based on data for recent years may be somewhat as follows: Olive oil, 100 million pounds, other edible oils, 25-50 million pounds; fish-liver oils, 40-50 million pounds; total edible, 125-150 million pounds; total, all fats and oils, 165-200 million pounds. Offsetting these losses in imports will be losses of exports totaling possibly 40 million pounds for lard; 70-80 million pounds for soybeans (in terms of oil) and soybean oil, and 15-20 million pounds for other edible fats and oils; total, 125-140 million pounds.

Although Portugal and Spain are important olive oil producing countries, a shortage of supplies already has forced those countries to prohibit exports of olive oil. Portugal placed an embargo on exports, effective April 25, except to Brazil and Portuguese colonies. Exports from Spain have been suspended since September 6, 1939.

So long as the present conflict lasts, it is probable that more cottonseed, soybean, and peanut oils of domestic origin will be used as salad and cooking oils, and in salad dressings in this country than would have been the case if there had been no war, replacing the imported vegetable oils previously used for these purposes. Somewhat more lard will be used domestically, principally for food purposes, but possibly to some extent also in soap. The lower grades of domestic vegetable oils will find a somewhat larger outlet in soap, replacing inedible olive oil.

With relatively high prices in prospect, the domestic production of olive oil and fish-liver oils is likely to increase. Production of olive oil in California recently has been increased from an average of about 1 million pounds annually to 7 million pounds. Domestic consumption of olive oil totaled 101 million pounds in 1939. The production of fish-liver oils by United States fisheries in recent years has averaged only 2 million pounds annually, whereas the annual consumption has been about 60 million pounds. There appears to be little necessity for increased domestic output of other edible fats beyond that already under way, as the present scale of production probably will continue to provide a surplus of such fats.

Present situation compared with that in 1914-18

Similarity of price movements.- Following the outbreak of war in Europe in 1914, prices of fats and oils in the United States first advanced then declined. The net result in the first year was a decline. The price index for eight principal domestic fats and oils was reduced from 93 percent of the 1910-14 average in July 1914 to 86 percent in July 1915. Although exports declined sharply in 1916 and 1917 as a result of the loss of the then important German market, prices advanced sharply. The price index stood at 161 in July 1917. Further advances were recorded in the following 2 years, with the index reaching a peak of 247 in November 1919. Several factors contributed to this sharp rise, among which were heavy European purchases of supplies of many kinds in the United States, a strong domestic demand, and the general rise in commodity prices that accompanied the wartime expansion in bank credit in this country. With the collapse of the business boom in 1920 and 1921, prices of fats and oils declined to about their pre-war level.

The index of prices of domestic fats and oils in August 1939, at 73 percent of the 1910-14 average, was the lowest, except for the period from January 1932 to May 1934, in 30 years of record. A fairly sharp advance in prices occurred in September last year with the outbreak of war in Europe. This advance was well maintained through January this year, when the price index, at 91 percent of the 1910-14 average, was at the highest level in nearly 2 years. Since January, however, prices have tended to decline. The fall in prices which occurred in May as a result of the invasion of the Low Countries and the possibility of further losses of exports with an Allied defeat carried the index down to 81 for that month.

Production and import trends reversed.- The domestic production of animal fats, except for a slight upward trend, remained fairly stable throughout the war of 1914-18. Production of vegetable oils from domestic materials, however, declined, with reduced output of both cottonseed and flaxseed.

Cotton and cottonseed production was reduced because of the difficulties in exporting cotton, low prices of cotton during the first 2 years of the war, relatively high production costs during the remainder of the war, and low yields throughout resulting from boll weevil infestation. In 1938 and 1939, cotton acreage and production were below the averages of the previous 10 years and also below those of 1909-13, although yields per acre were well above average. Production of cottonseed in 1939 was about 15 percent smaller than the average for the 10 years 1928-37 and 9 percent less than that for 1909-13. But increased production of soybeans and peanuts in the United States in recent years has more than made up these differences, with the result that the present production of oilseeds yielding edible oils is now considerably above the averages of earlier years.

Flaxseed production during the period 1914-18 was reduced more sharply than that of cottonseed, largely because of the unusually strong demand for wheat, and, in 1917, because of unusually low yields. The demand for wheat during the war of 1914-18 increased more than the demand for flaxseed, with the result that much land previously planted to flaxseed in the North Central States was planted to wheat. This situation has not been repeated so far in the present war. Flaxseed prices still command a substantial premium over wheat, world supplies of which are relatively large. In 1939, the acreage and production of flaxseed in the United States were considerably above average, and further increases are indicated for 1940.

Table 4.- Production of cottonseed, soybeans, peanuts, and flaxseed, United States, specified periods and years

Period and year	Cottonseed	Soybeans	Peanuts picked and threshed	Total, three items	Flaxseed
	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.
Average					
1909-13	11,576	---	1/		1,038
1914-18	11,022	---	1/		641
1928-37	12,272	1,310	989	14,571	669
1938	10,620	3,764	1,306	15,690	457
1939 2/	10,478	5,245	1,180	16,903	1,138

Agricultural Marketing Service.

1/ Not available.

2/ Preliminary.

To make up the deficiencies in the domestic production of oilseeds, as well as to provide for the growing demand for fats and oils for food and soap with increasing population from 1914 to 1918, imports of coconut oil and copra, soybean oil (in those years not domestically produced), and peanut oil were increased sharply. Imports of flaxseed for the paint, varnish, and linoleum industries also were increased.

With a substantial surplus of lard and soybean oil now available for domestic use, and with a sharp increase in the domestic production of flaxseed in 1939, the trend in imports generally since last summer has been downward. However, there have been some exceptions to the downward movement in imports, notably in the case of copra, babassu nuts, and castor beans. Imports of these items have increased. Both coconut oil and babassu oil are used to give quick-lathering properties to soap, the domestic production of which continues to expand. The use of castor oil for industrial purposes, including its use as a substitute for tung oil, also has increased in recent months.

Consumption now much larger than in 1914-18.- Despite some significant changes in the domestic consumption of individual fats and oils during the war of 1914-18, total consumption about kept pace with population growth, with the result that consumption per capita remained nearly constant at 61-63 pounds annually. In the first 2 years of the war the consumption of most fats and oils increased with pronounced gains being made in the consumption of lard, butter, soybean oil, coconut oil, and inedible tallow and greases. The consumption of palm oil and palm-kernel oil declined. Further increases occurred in the consumption of most items in 1917 and 1918. But consumption of butter, linseed oil, cottonseed oil, and olive oil, declined in those 2 years. These reductions were more than offset, however, by further marked gains in consumption of coconut, soybean, and peanut oils.

Judging from recent production and trade data, it would seem that domestic consumption of fats and oils at the present time is following somewhat the same trends as in the early years of the last great war. That is to say, consumption of lard, butter, soybean oil, inedible tallow and greases has shown a tendency to increase with increased domestic output, whereas consumption of palm oil and palm-kernel oil seems to be declining. The extension of the war area to Scandinavia and the Mediterranean in the present conflict probably will also bring about a decline in the consumption of fish-liver oils and olive oil. The use of linseed oil seems to be increasing, as was the case from 1914 to 1916. With our entry into the last war, residential building activity in the United States was curtailed, and the domestic consumption of linseed oil in 1917 and 1918 was reduced.

Total requirements for fats and oils in the United States are much large now than they were in 1914-18. In those years, total consumption amounted to something over 6 billion pounds annually. In 1939, over 9.5 billion pounds of fats were consumed in the United States. Consumption per capita in 1939 amounted to about 75 pounds compared with the annual consumption of 61-63 pound per capita in the 1914-18 period.

REVISIONS OF CERTAIN PRICE SERIES, 1934-40

In the August 1939 issue of The Fats and Oils Situation tables were presented which brought to date the various price series originally published in Statistical Bulletin No. 59. 1/ Certain price series were revised to include excise taxes, either on imports or on first domestic processing. Such taxes were first levied in 1934.

In making the revisions, it was assumed that the excise taxes were not included in the weekly quotations in trade journals, and other sources, from which the prices published in this report are compiled, except when specificall noted. Accordingly, the tax was added where applicable. It appears that this procedure was in error in certain cases. The prices as quoted in the primary sources apparently include the excise taxes when such taxes are levied on imports, and also in the case of refined oils (or oils otherwise treated) when the excise taxes are levied on the first domestic processing. The taxes usually are not included, however, in primary quotations for crude oils subject to tax on processing.

Five price series have been revised to eliminate what in effect amounts to a duplication of taxes. The items for which revised data are shown in this report, with tax rates, are as follows:

1/ Fats, Oils, and Oleaginous Raw Materials--Production, Prices, Trade, Disappearance in the United States 1912-35, and Available Data for Earlier Years. United States Department of Agriculture, Washington, 1937. Copies of this bulletin may be obtained from the Superintendent of Documents, Washington, D. C. Price 10 cents.

Item	Excise tax per pound effective		
	May 10, 1934	Aug. 21, 1936	July 1, 1938
	Cents	Cents	Cents
Perilla oil, drums, N. Y.	---	4.5	4.5
Rape oil, refined, bbls., N. Y.	---	4.5	4.5
Rape oil, blown, bbls., N. Y.	---	4.5	4.5
Sesame oil, refined, drums, N. Y.	1/ 3.0	---	---
Whale oil, refined, bleached winter, bbls., N. Y.	3.0	3.0	2/ 3.0

A complete statement on excise taxes is given in the August 1939 issue of The Fats and Oils Situation, p. 15.

1/ Tax on first domestic processing. In other cases, tax is on imports.
2/ Effective June 30, 1939, this tax was made applicable to all oil from whales taken by foreign killer boats, whether or not produced in United States factories ashore or afloat.

Table 5.- Foreign trade in specified fats and oils, including the oil equivalent of raw materials, United States, October-March, 1938-39 and 1939-40

(Net exports are indicated by a minus sign)

Item	1938-39			1939-40		
	Imports	Exports	Net imports or net exports	Imports	Exports	Net imports or net exports
	1,000 lb.	1,000 lb.	1,000 lb.	1,000 lb.	1,000 lb.	1,000 lb.
Animal fats and oils						
Butter	570	1,085	-515	540	1,448	-908
Fish-liver oil	31,336	0	31,336	17,209	0	17,209
Fish oil	340	600	-260	552	3,504	-2,952
Greases	0	1,043	-1,043	0	1,974	-1,974
Grease, wool	1,594	0	1,594	2,220	0	2,220
Lard	1	131,439	-131,438	1	137,490	-137,489
Neat's-foot oil	0	383	-383	0	348	-348
Oleo oil	0	2,079	-2,079	0	1,934	-1,934
Oleo stearine	400	19	381	0	153	-153
Oleo stock	0	1,225	-1,225	0	3,366	-3,366
Tallow, edible	75	60	15	0	78	-78
Tallow, inedible	469	620	-151	731	1,215	-484
Whale oil	9,460	0	9,460	857	0	857
Total	44,245	138,553	-94,308	22,110	151,510	-129,400
Vegetable oils						
Babassu oil	0	0	0	427	0	427
Cashew shell oil	610	0	610	2,532	0	2,532
Castor oil	1	311	-310	24	1,130	-1,106
Coconut oil 1/	194,941	2/5,826	189,115	174,609	2/36,870	137,739
Corn oil	10,377	48	10,329	889	154	735
Cottonseed oil 1/	36,509	2,121	34,388	6,977	14,171	-7,194
Linseed oil	28	285	-257	5	3,021	-3,016
Oiticica oil	4,576	0	4,576	4,883	0	4,883
Olive oil	44,307	0	44,307	40,866	0	40,866
Palm-kernel oil	948	0	948	0	0	0
Palm oil	161,893	2/2,227	159,666	118,589	2/13,485	105,104
Peanut oil	9,617	4	9,613	1,313	2,083	-770
Perilla oil	21,636	0	21,636	18,610	0	18,610
Rape oil	3,751	0	3,751	8,529	0	8,529
Sesame oil	2,516	0	2,516	46	0	46
Soybean oil	1,449	3,194	-1,745	3,637	11,743	-8,106
Sunflower oil	126	0	126	0	0	0
Teaseed oil	6,765	0	6,765	977	0	977
Tung oil	43,936	2/2,108	41,828	54,676	2/2,676	52,000
Vegetable tallow	1,341	0	1,341	558	0	558
Total	545,327	16,124	529,203	438,147	85,333	352,814

Continued -

Table 5.- Foreign trade in specified fats and oils, including the oil equivalent of raw materials, United States, October-March, 1938-39 and 1939-40 - Continued

(Net exports are indicated by a minus sign)

Item	1938-39			1939-40		
	Imports	Exports	Net imports or net exports	Imports	Exports	Net imports or net exports
	1,000 lb.	1,000 lb.	1,000 lb.	1,000 lb.	1,000 lb.	1,000 lb.
Raw materials, oil equivalent						
Babassu nuts	25,222	0	25,222	34,429	0	34,429
Castor beans	34,929	0	34,929	50,589	0	50,589
Copra	159,232	2/16,130	143,102	232,616	2/5,656	226,960
Flaxseed	199,789	0	199,789	128,843	0	128,843
Palm kernels	5,231	0	5,231	2,439	0	2,439
Perilla seed	370	0	370	0	0	0
Sesame seed	3,193	0	3,193	3,729	0	3,729
Soybeans	3/ 0	23,048	-23,048	3/ 0	91,955	-91,955
Total	427,966	39,178	388,788	452,645	97,611	355,034
Grand total	1,017,538	193,855	823,683	912,902	334,454	578,448

Compiled from official records of the Bureau of Foreign and Domestic Commerce.

1/ Crude and refined; refined converted to crude basis.
2/ Includes reexports.
3/ Some soybeans are imported, but they apparently are not used for crushing.

Table 6.- Oleomargarine: Production and materials used in manufacture, United States, April 1938 and 1939, February - April 1940

Item	Apr.		1940 1/		
	1938	1939	Feb.	Mar.	Apr.
	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds
Production:					
Colored	134	96	169	138	177
Uncolored	32,528	23,243	29,309	26,503	27,231
Total 2/	32,662	23,339	29,477	26,641	27,408
Materials used:					
Oleo oil	1,412	1,032	1,337	1,317	1,235
Oleostearine	240	237	261	242	314
Lard, neutral	138	94	333	301	638
Oleo stock	163	81	105	96	119
Total animal	1,953	1,444	2,036	1,956	2,306
Cottonseed oil	11,422	7,483	10,200	9,022	8,188
Soybean oil	2,356	4,925	8,657	7,169	7,140
Peanut oil	275	178	153	146	113
Corn oil	46	27	89	87	32
Vegetable gum	---	---	1	1	---
Soybean stearine	---	---	---	---	1
Total domestic vegetable	14,099	12,613	19,100	16,425	15,474
Coconut oil	8,981	3,428	1,841	2,464	3,084
Babassu oil	971	1,247	770	526	937
Palm-kernel oil	560	126	---	---	---
Palm oil	---	---	---	1	---
Rice oil	34	---	---	---	---
Total foreign vegetable	10,546	4,801	2,611	2,991	4,021
Total fats and oils	26,598	18,858	23,747	21,372	21,801
Milk	6,063	4,561	5,761	5,074	5,244
Salt and other miscellaneous	1,446	1,078	1,332	1,166	1,234

Compiled from Internal Revenue records and Internal Revenue Bulletin.

1/ Preliminary.
2/ Total of unrounded numbers.

REVISED PRICE DATA, 1934-40

(Note:- Table numbers correspond with those in
Statistical Bulletin No. 59)

Table 128.- Perilla oil: Price per pound, drums, New York, 1936-40 (August 1936-April 1940 revised)

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Average
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
1936	7.4	7.2	7.3	7.4	7.4	8.5	9.7	9.8	9.9	9.8	9.7	10.9	8.8
1937	11.6	11.6	11.6	11.9	11.5	11.3	11.6	12.1	13.6	13.9	12.8	11.5	12.1
1938	11.3	11.1	10.6	10.6	10.3	9.9	10.5	10.7	10.2	10.0	9.9	9.8	10.4
1939	9.8	9.6	9.7	9.7	9.7	10.5	11.1	12.3	14.4	14.5	14.2	15.4	11.7
1940	18.2	20.0	21.0	19.9 1/	18.5								

Compiled from Oil, Paint and Drug Reporter. Prices include excise tax on imports beginning August 21, 1936.

1/ Based on quotations for 2 weeks.

Table 129.- Rape oil, refined: Price per pound, barrels, New York, 1936-40 (August 1936-April 1940 revised)

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Average
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
1936	7.4	7.2	7.0	7.2	7.0	7.3	8.5	8.6	8.9	9.4	10.0	10.5	8.3
1937	11.3	11.4	11.7	12.2	12.5	12.7	12.8	12.9	12.7	12.7	12.3	12.1	12.3
1938	12.1	12.1	12.0	11.6	11.2	10.4	10.3	10.3	10.3	10.5	10.7	10.8	11.0
1939	10.8	10.8	10.8	10.8	10.8	10.8	10.8	10.9	11.5	13.5	13.5	13.7	11.6
1940	13.7	13.7	13.7	13.7	14.6								

Compiled from Oil, Paint and Drug Reporter. Prices include excise tax on imports beginning August 21, 1936.

Table 130.- Rape oil, blown: Price per pound, barrels, New York, 1936-40 (August 1936-April 1940 revised)

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Average
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
1936	8.7	8.7	8.7	8.7	8.7	9.0	11.5	11.6	11.6	11.6	11.6	12.2	10.2
1937	13.4	13.4	13.2	13.5	13.9	14.1	14.3	14.4	14.4	14.6	14.6	14.6	14.0
1938	14.6	14.6	14.6	14.6	14.6	14.6	14.4	14.2	14.2	14.2	14.2	14.2	14.4
1939	14.2	14.2	14.2	14.2	14.2	14.2	14.2	14.2	14.8	16.8	17.2	17.2	15.0
1940	17.2	17.2	17.2	17.2	17.4								

Compiled from Oil, Paint, and Drug Reporter. Prices include excise tax on imports beginning August 21, 1936.

REVISED PRICE DATA, 1934-40

(Note:- Table numbers correspond with those in Statistical Bulletin No. 59)

Table 132.- Sesame oil, refined: Price per pound, drums, New York, 1934-40 (May 1934-August 1936 revised)

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Average
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
1934	9.2	8.5	8.2	8.2	8.5	8.8	9.4	10.6	11.7	11.2	11.6	12.6	9.9
1935	13.1	13.3	13.5	13.3	13.2	13.2	13.0	12.8	12.8	13.8	14.8	15.2	13.5
1936	14.8	13.6	13.4	13.2	13.0	13.0	13.0	13.5	14.1	14.1	13.1	13.2	13.5
1937	13.2	13.2	13.1	13.0	12.4	11.9	11.5	11.5	11.1	10.5	10.5	10.4	11.9
1938	10.4	10.4	10.4	10.2	10.2	10.4	10.4	10.5	10.5	10.5	10.5	10.5	10.4
1939	10.5	9.5	9.1	9.1	9.2	9.2	9.2	9.2	10.3	---	---	12.0	1/ 9.7
1940	11.8	11.6	14.7	16.0	16.0								

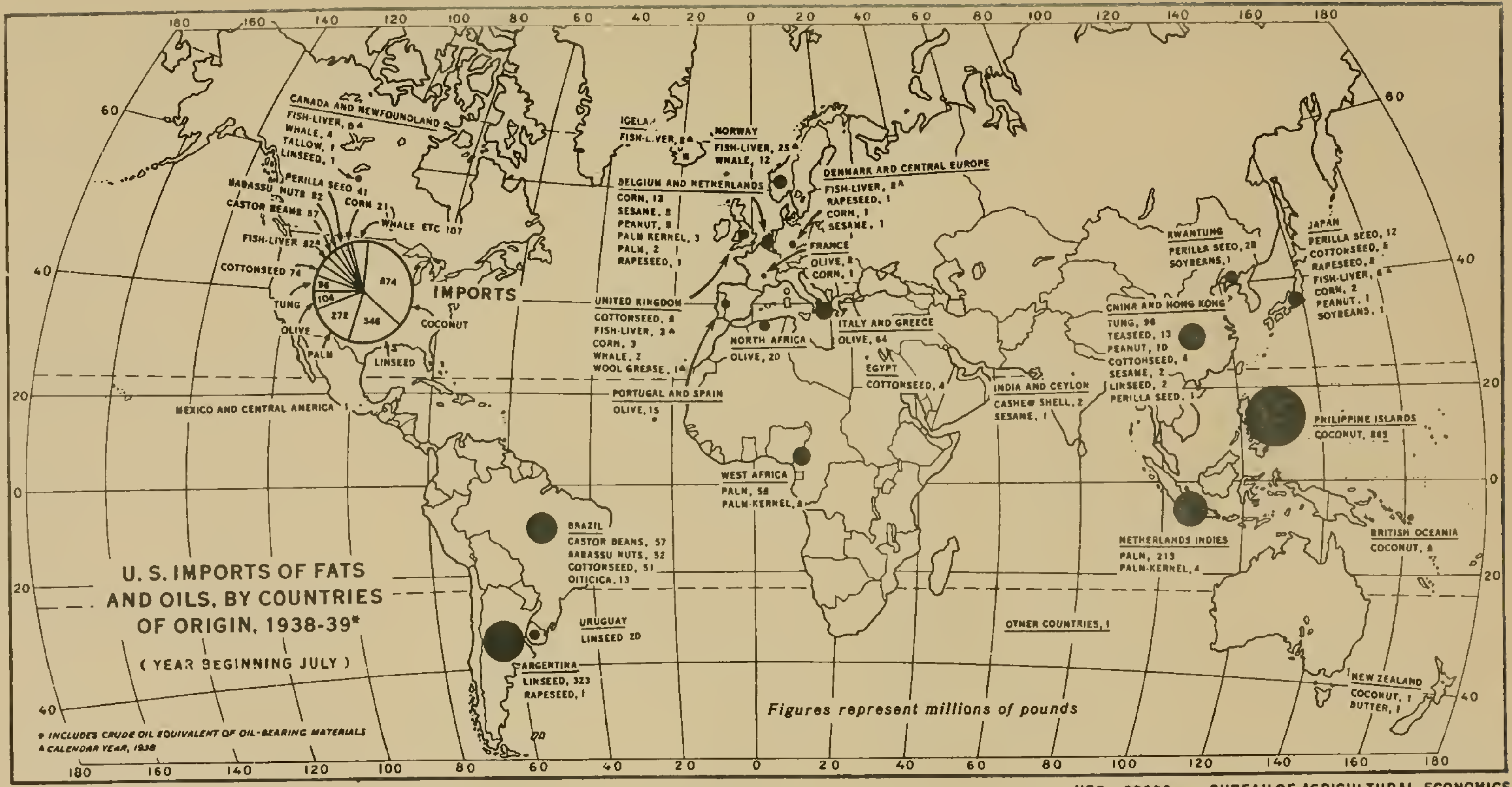
Compiled from Oil, Paint and Drug Reporter. Prices include excise tax on first domestic processing, May 10, 1934-August 21, 1936.

1/ 10-month average.

Table 158.- Whale oil, refined, bleached, winter: Price per pound, barrels, New York, 1939-40 (July 1939-April 1940 revised)

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Average
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
1939	8.2	8.2	8.2	8.2	8.2	8.2	8.0	7.6	9.1	9.5	9.5	9.5	8.5
1940	9.5	9.5	9.5	9.5	9.5								

Compiled from Oil, Paint and Drug Reporter. Prices include excise tax on imports beginning May 10, 1934.



U. S. DEPARTMENT OF AGRICULTURE

NEG. 38388 BUREAU OF AGRICULTURAL ECONOMICS

FIGURE 1.- MORE THAN HALF OF THE FATS, OILS, AND OIL-BEARING MATERIALS IMPORTED BY THE UNITED STATES NORMALLY ORIGINATE IN THE FAR EAST. MORE THAN ONE-FOURTH COME FROM SOUTH AMERICA. EUROPE AND NORTH AFRICA FURNISH ABOUT 10 PERCENT OF THE TOTAL, WITH OLIVE AND FISH-LIVER OILS THE MOST IMPORTANT ITEMS.

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